

smartoptics

Presentation of Q2 results 2021 – August 10, 2021

Q2 and 1H 2021 Highlights

Revenues Q2 2021

12.4 MUSD

(22.7 MUSD 1H)



Revenue Growth Q2 2021

+61.6%

(+57.1% 1H)



Gross Margin Q2 2021

40.4%

(42.0% 1H)




Adjusted EBITDA Margin Q2 2021

11.4%


(12.5% 1H)




Smartoptics is perfectly positioned to continue the growth journey and increase profitability



**Market growth fueled
by an ever-growing
demand for data**



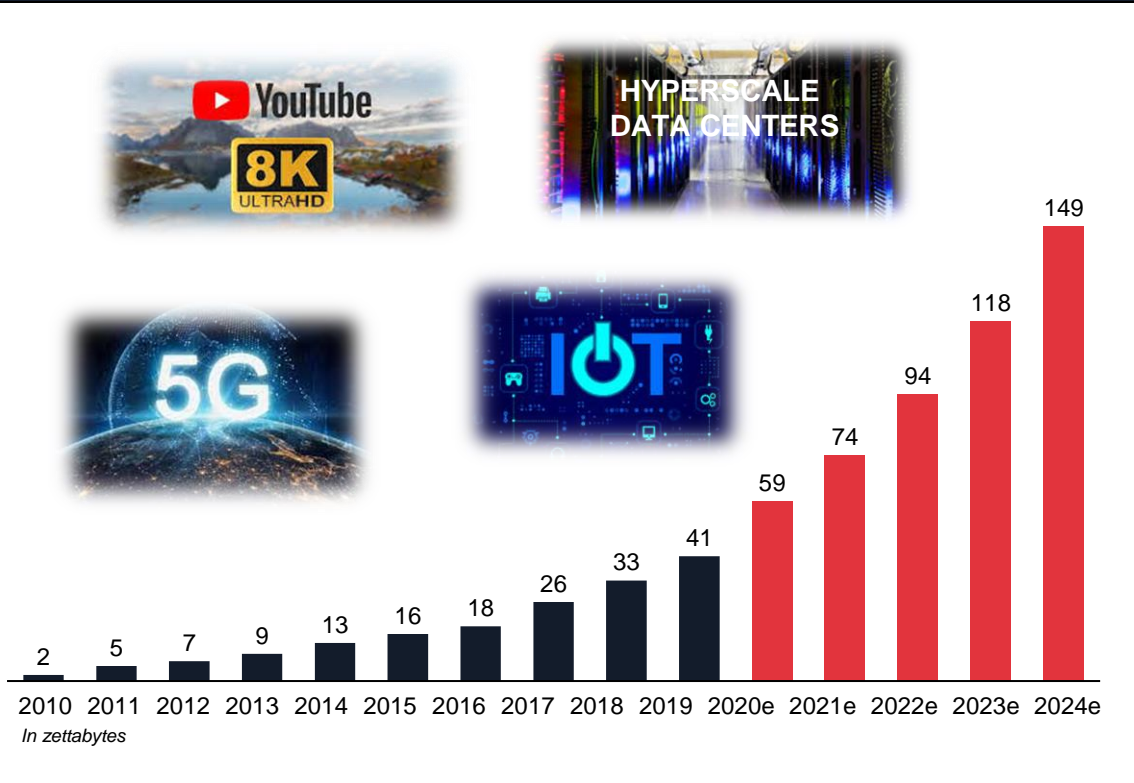
**Uniquely positioned
to grow addressable
market and win
market share**



**Proven business
plan, solid industry
expertise and track
record of strong
profitable growth**

Massive global data growth drives bandwidth demand and the need for fiber optic technology

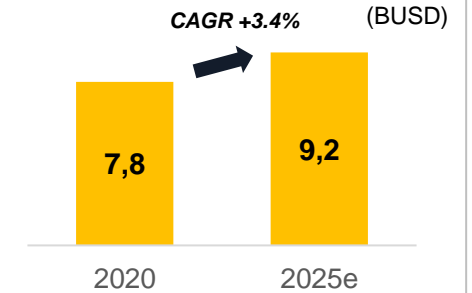
World-wide data growth expected to be 29% through 2024



Large and growing market – Compact modular growing 5 times faster

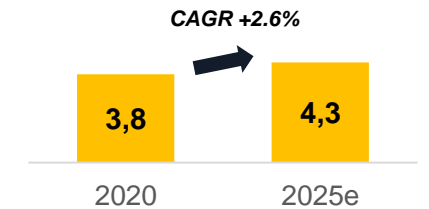
Worldwide – Metro Market

- Worldwide metro market was **7.8** BUSD in 2020, expected to grow to **9.2** in 2025



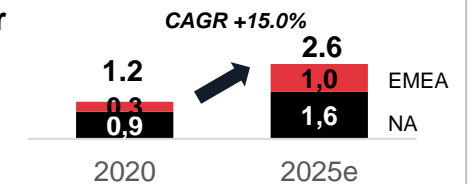
North America + EMEA – Metro Market

- North America + EMEA Metro segment - core market for Smartoptics – expected to grow to **4.3** BUSD 2025



North America + EMEA – Compact Modular

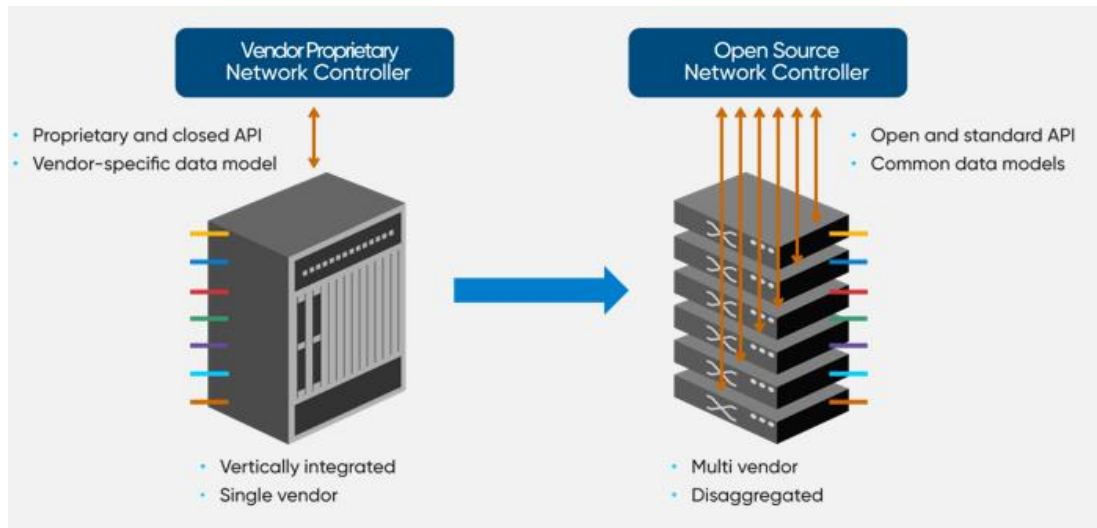
- Compact modular segment is expected to grow by **15%** annually in North America and EMEA between 2020-2025



Data traffic growth drives growth in optical networks. Optical market shifting compact modular solutions.

Smartoptics challenges the market by providing truly “open” and “disaggregated” solutions

What disaggregation and open mean



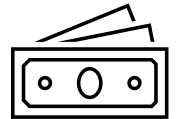
Open products and platforms are designed to function with any other vendor's products in the network

Open design enables the customer to pick the best and most cost-effective product for each application

Source: ODTN

Benefits with open and disaggregation

- Faster Innovation – Independent HW & SW design cycles
- Cost savings – Lower CAPEX & OPEX
- Best in class functions – Cherry-pick suppliers/technologies
- Flexibility – Limited vendor lock-in
- Simplicity – Control & integration with one SDN system



Key events during the quarter

Key customer events

- Several new wins in all customer segments
 - Enterprise
 - Internet content providers
 - Communication service providers
- Announced leading Internet Exchange DE-CIX
- Additional orders for 5G backhaul networks from leading US Mobile backhaul provider/TowerCo
- Orders for upcoming, innovative product (DCP-ROADM), regional network in California



DCP-ROADM

Product portfolio

- 400 Gbit/s
 - Support in DCP-M
 - Released and delivered first OpenZR+ compliant optics
- Extended use-cases for DCP-F product family
 - Point-to-point and ring-based networks
 - (New) Active-passive network configurations (5G backhaul)



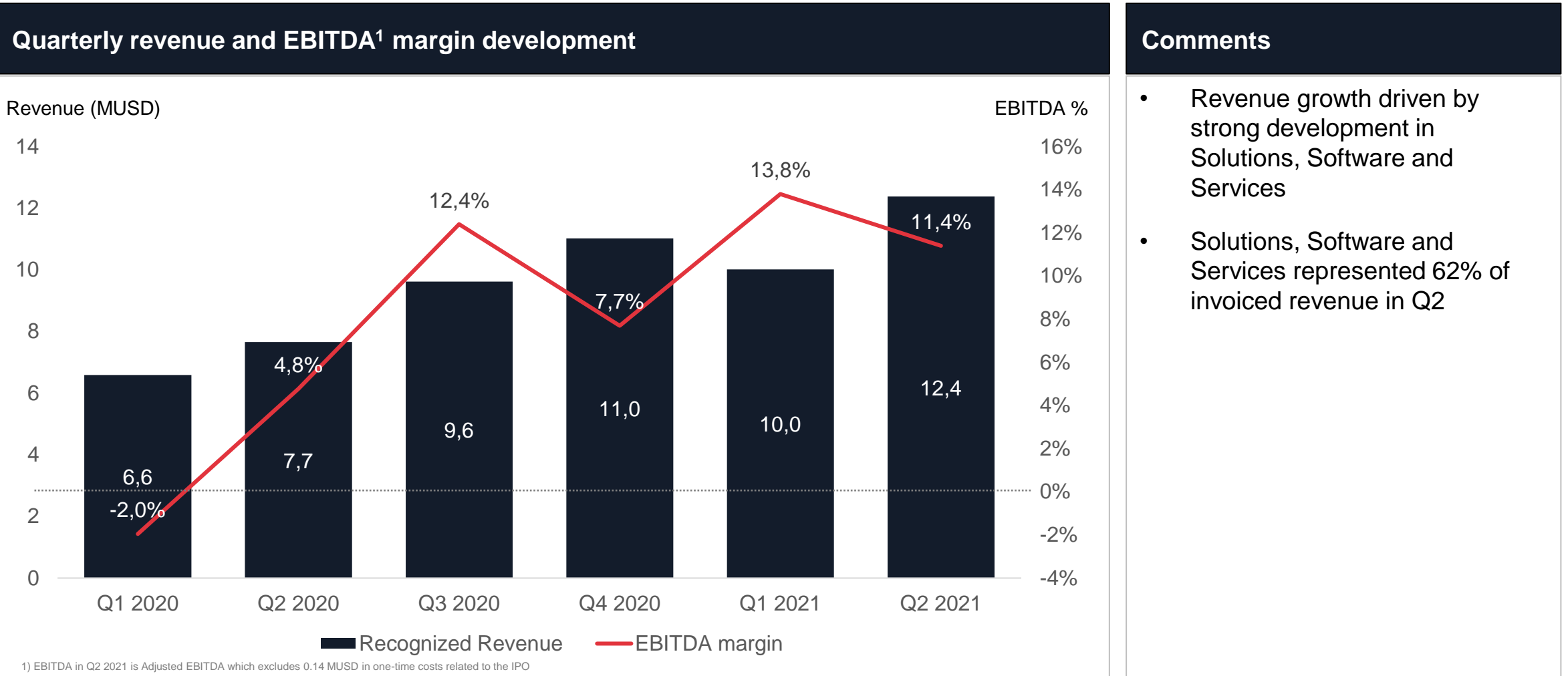
DCP-F (FLEX)

Supply situation

- Small effect on revenue so far
- Long lead-times on certain components
- Uncertainty remains for the rest of the year



Continued strong growth and increasing profitability, driven by strong development of Solutions and Software & Services

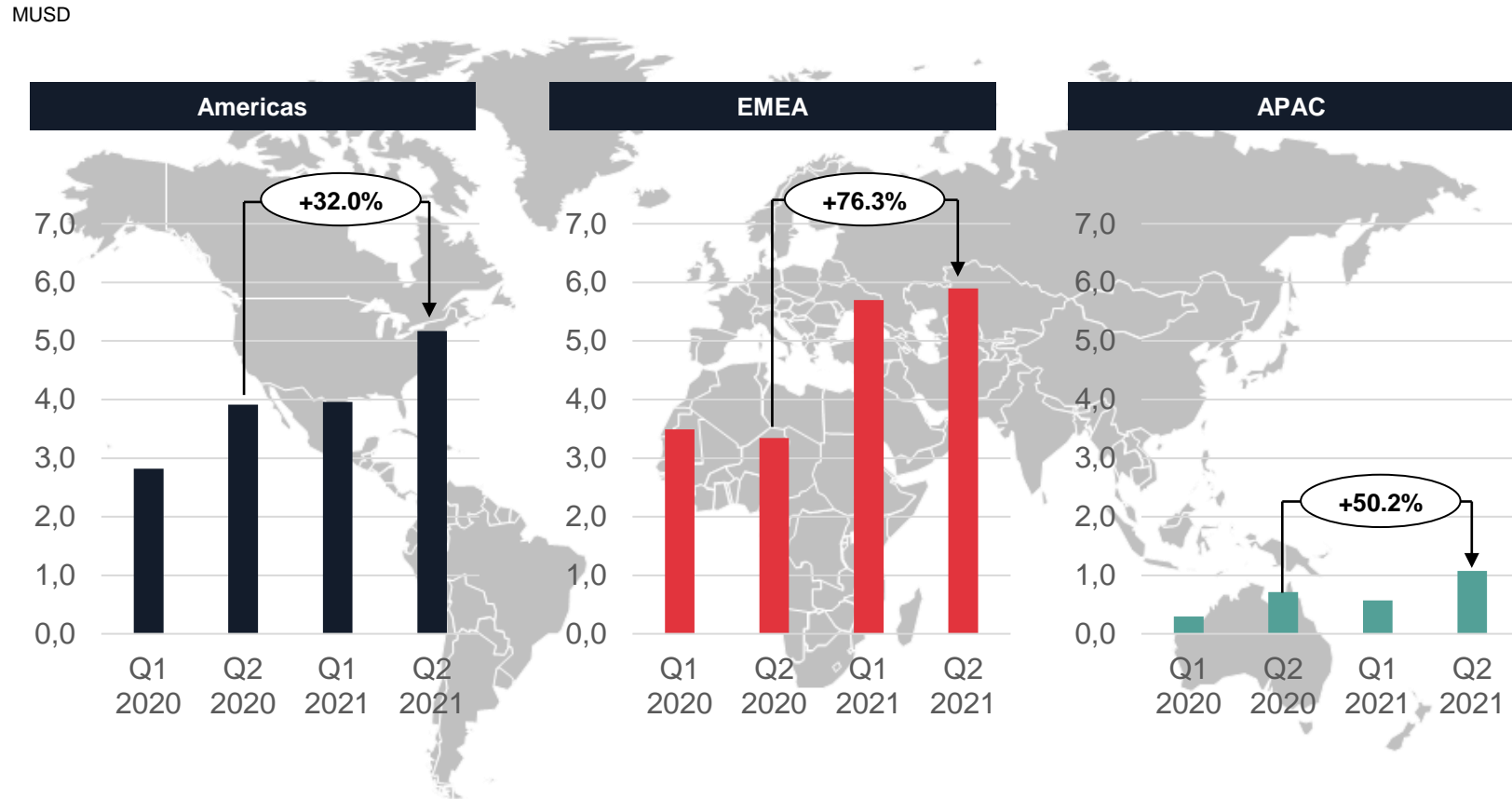


Comments

- Revenue growth driven by strong development in Solutions, Software and Services
- Solutions, Software and Services represented 62% of invoiced revenue in Q2

Solid growth in all regions

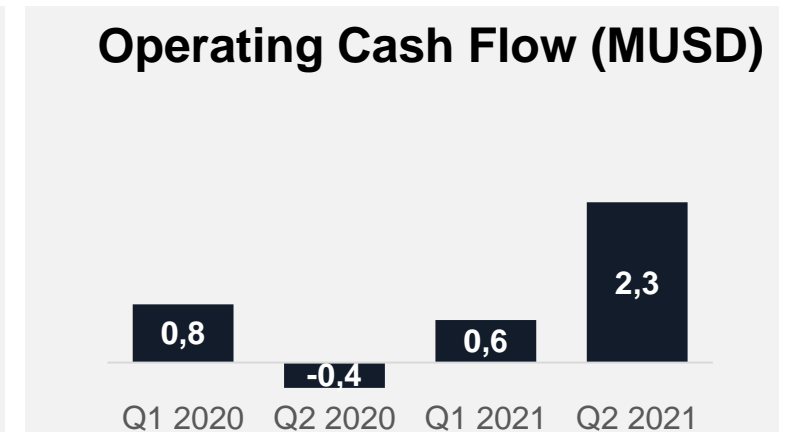
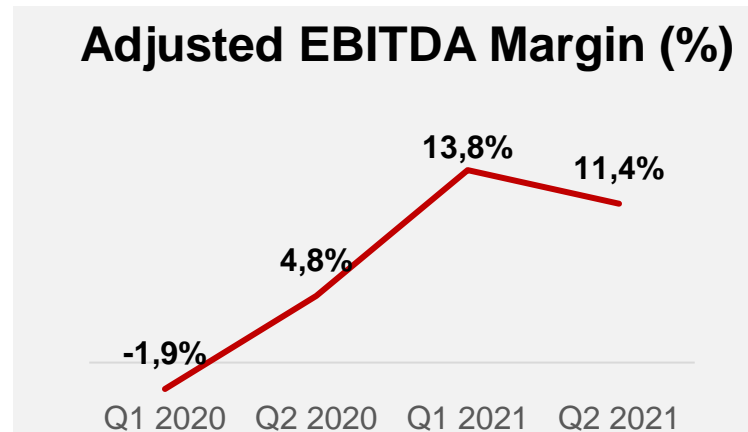
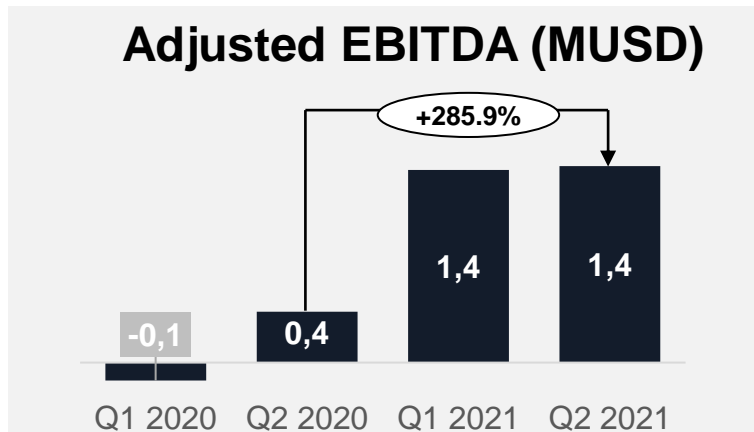
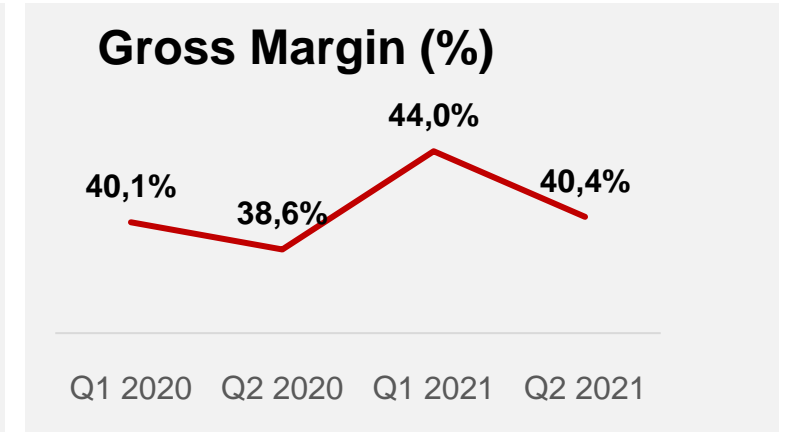
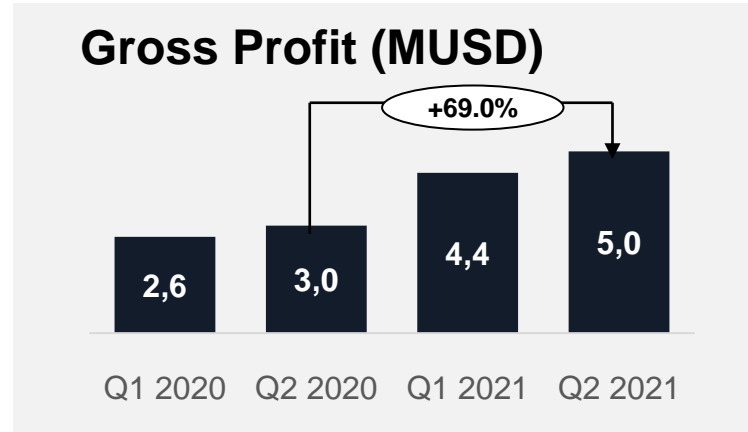
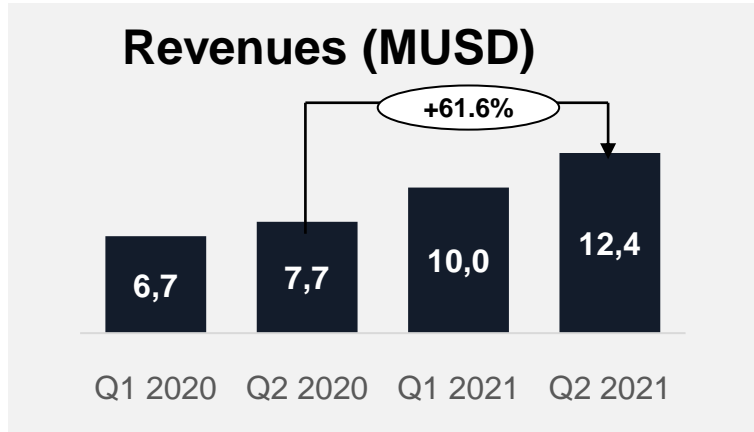
Invoiced Revenue (MUSD) per Region and Quarter – first half year 2021 and 2020



Comments

- Highest growth rates in EMEA driven by strong momentum in many countries in Europe
- Americas' growth help by several accounts in the US, continued growth from strong performance in 2020
- APAC growth driven by continued strong business in ANZ

Summary of financial performance



Strong revenue growth, stable margins and positive cash flow

Profit and Loss Statement – first half year 2021 and 2020

Profit and Loss Statement	2021 Q2	2020 Q2	2021 1H	2020 1H	Q2 21 vs Q2 20	1H 21 vs 1H 20
Invoiced Revenue	12 392	7 817	22 659	14 434	+58.5%	+57.0%
Net Change Deferred Revenue	-12	-157	-265	-183		
Total Recognized Revenue	12 380	7 660	22 394	14 250	+61.6%	+57.1%
Total COGS	-7 384	-4 703	-12 992	-8 650		
Gross profit	4 996	2 957	9 402	5 601	+69.0%	+67.9%
<i>Gross margin</i>	40.4%	38.6%	42.0%	39.3%		
Total expenses	-3 586	-2 592	-6 610	-5 364	+38.4%	+23.2%
Adjusted EBITDA¹⁾	1 410	365	2 792	237	+285.9%	+1078.6%
<i>EBITDA in %</i>	11.4%	4.8%	12.5%	1.7%		
Total Depreciation	-228	-147	-436	-292		
EBIT	1 039	218	2 356	-55	+375.9%	neg
<i>EBIT in %</i>	8.4%	2.8%	10.5%	-0.4%		
Net Finance Items	93	-296	-56	481		
Earnings before taxes	1 132	-77	2 299	425	neg	+440.6%
<i>EBT in %</i>	9.1%	-1.0%	10.3%	3.0%		

1) Adjusted EBITDA in Q2 2021 (excluding one-time cost of 0.14 MUSD related to IPO bonus)

Cash Flow Statement – first half year 2021 and 2020

Cash Flow Statement	2021 Q2	2020 Q2	2021 1H	2020 1H
EBITDA	1 410	365	2 792	237
Change in Working Capital	888	-976	-151	133
Change in Deferred Revenue	2	249	269	103
Cash Flow from Operating Activities	2 299	-362	2 910	472
Cash Flow from Investing Activities	-115	-256	-393	119
Cash Flow from Financing Activities	-2 800	479	-2 302	-647
Dividend	-704	0	-2 231	0
New shares issued	11 159	0	11 159	0
Translation Differences	-43	477	-549	86
Net Cash Flow	9 796	338	8 562	30
Net Cash Position	10 048	-722	10 048	-722

Financial guidance – Raising the upper range from 30% to 35%

	2020a	2021e	2025/26 aspirations
Revenue	34.8 mUSD	20-35% organic growth	~100 mUSD
Gross margin	~39%	~41-44%	~45%
EBITDA margin	~6.4%	~9-12%	~15-18%
Capex/sales	~1.7%	~2%	~2%

Appendix

Profit and Loss Statement

P&L Statement for Q2 and First Half 2021 and 2020

Profit and Loss Statement	2021 Q2	2020 Q2	2021 1H	2020 1H	Q2 21 vs Q2 20	1H 21 vs 1H 20
Invoiced Revenue	12 392	7 817	22 659	14 434	+58.5%	+57.0%
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<i>EBIT in %</i>	8.4%	2.8%	10.5%	-0.4%		
Net Finance Items	93	-296	-56	481		
Earnings before taxes	1 132	-77	2 299	425	neg	+440.6%
<i>EBT in %</i>	9.1%	-1.0%	10.3%	3.0%		

Comments

- Continue strong revenue growth
 - Revenue growth of 61.6% 2021 Q2, compared to 2020 Q2
 - Revenue growth of 57.1% for the first 6 months of 2021
- Strong and consistent profitability
 - Adjusted EBITDA margin of 11.4% in Q2 2021
 - Adjusted EBITDA margin of 12.5% for the first 6 months of 2021
- Currency changes has impacted the numbers
 - USD/NOK changes account for about 10%-points of revenue growth in Q2 and about 15%-points of the OPEX increase in Q2 is explained by movements in USD/NOK and USD/SEK

1) IPO bonus of 1.2 MNOK (0.14 MUS\$) treated as a one-time cost and not included in Adjusted EBITDA. However, the IPO bonus is included in EBIT

Cash Flow Statement

Cash Flow Statement for Q2 and First Half 2021 and 2020

Cash Flow Statement	2021 Q2	2020 Q2	2021 1H	2020 1H	Comment
Cash at the beginning of the period	2 391	1786	3 625	2 094	
EBITDA	1 410	365	2 792	237	
Changes in Accounts Receivables	-818	-561	-343	-23	
Changes in Accounts Payable	759	-208	-594	56	
Changes in Inventory	299	-693	1 760	-84	
Changes in Deferred Revenue	2	249	269	103	
Other Working Capital Changes	648	487	-974	184	
Cash Flow from Operating Activities	2 299	-362	2 910	472	
Changes in Non-Current Assets	-115	-256	-393	119	
Cash Flow from Investing Activities	-115	-256	-393	119	
Changes in short term financing	-2 710	422	-2 163	-465	
Changes in long term financing	-64	91	-95	-101	
Interest paid	-26	-34	-44	-80	
Cash Flow from Financing Activities	-2 800	479	-2 302	-647	
Dividend	-704	0	-2 231	0	
New shares issued	11 159	0	11 159	0	
Translation Differences	-43	477	-580	86	
Net Cash Flow	9 796	338	8 561	30	
Cash at the End of Period	12 187	2 124	12 187	2 124	

Comments

- Strong operating cash flow
 - +2.3 MUSD in Q2 2021
 - +2.9 MUSD for first 6 months of 2021
 - Positive contribution of 0.9 MUSD in lower working capital in Q2
- Debt financing reduced
 - Change in short term financing of -2.7 MUSD, an effect of reduced use of credit line
- Successful IPO on Euronext Growth
 - Successful IPO and share issue brought 11 MUSD of equity financing after IPO costs
- Cash position of 12.2 MUSD
- Net cash position of 10.0 MUSD

Balance Sheet

Balance Sheet Q2 2021 and 2020 (MUSD)

Assets (MUSD)	June 30, 2021	June 30, 2020
Non-Current Assets	6 570	5 729
Capitalized Development Cost	922	930
Deferred Tax Asset	4 083	3 599
Property Plant and Equipment	1 216	499
Financial Assets	349	701
Other Non-Current Assets	0	0
Current Assets	26 744	12 661
Inventory	6 343	4 928
Accounts Receivables	6 455	4 777
Prepaid Expenses	1 585	755
Cash and Cash Equivalents	12 187	2 125
Other Current Asset	175	76
Total Assets	33 314	18 390

Equity and Liabilities (MUSD)	June 30, 2021	June 30, 2020
Total Equity	22 887	9 760
Non-Current Liabilities	3 588	1 795
Liabilities to Financial Institutions	2 139	1 035
Deferred Revenue	1 449	761
Other Non-Current Liabilities	0	0
Current Liabilities	6 840	6 834
Liabilities to Financial Institutions	0	1 812
Deferred Revenue	1 097	631
Accounts Payable	3 416	2 338
Public Duties	311	841
Other Current Liabilities	2 016	1 212
Total Liability	10 428	8 630
Total Liability and Equity	33 314	18 390

Comments

- Successful IPO yielded 10.8 MUSD in increased equity
- Net Cash of 10.0 MUSD
- Cash to Revenue (Rolling 12 months revenue¹⁾) of 28%

1) Rolling 12 months defined as 2H 2020 plus 1H 2021 recognized revenue

